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COMPLETED
ORIGINAL

CHAMPUS INPATIENT COST-SHARING RATES EXTENDED TO CERTAIN OUTPATIENT SURGERY

DECEMBER 3 (legislative day, NOVEMBER 20), 1980.—Ordered to be printed

Mr. NUNN, from the Committee on Armed Services, submitted the following

REPORT

[To accompany H.R. 3351]

The Committee on Armed Services, to which was referred the bill (H.R. 3351) to amend chapter 55 of title 10, United States Code, to authorize dependents of members of the uniformed services serving on active duty to use CHAMPUS inpatient cost-sharing rates for certain surgery performed on an outpatient basis, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE

H.R. 3351 authorizes the extension of CHAMPUS (Civilian Health and Medical Program of the Uniformed Services) inpatient cost-sharing rates to certain outpatient surgery for dependents of members of the uniformed services serving on active duty.

BACKGROUND AND SUMMARY

CHAMPUS was established September 30, 1966, with enactment of the Military Medical Benefits Amendments of 1966. Among other things, CHAMPUS authorized surgical benefits for dependents of members of the uniformed services serving on active duty.

Since CHAMPUS was established, an increasing number of surgical procedures traditionally performed in an inpatient setting are being performed in ambulatory, outpatient surgical facilities. The advent of increased reliance on outpatient surgery has meant lower costs for many procedures that formerly required hospitalization.

However, under current CHAMPUS cost-sharing formulas, inpatient treatment is often less costly to the beneficiary, although the government's share of inpatient surgical costs is generally greater than

that associated with outpatient surgery. This situation produces a financial incentive to the beneficiary to select the more costly of the two procedures even though both inpatient surgery and outpatient surgery are realistic, alternative options and the beneficiary's election of inpatient surgery results in increased costs to the Department of Defense without any corresponding increase in medical benefits to the beneficiary.

H.R. 3351 authorizes the Secretary of Defense and the Secretary of Health and Human Services to issue joint regulations prescribing the kinds of ambulatory surgery that shall be subject to cost-sharing at the inpatient rate. Granting this discretionary authority to remove the financial bias toward inpatient surgery will result in a savings to the Department of Defense with no reduction in the benefits provided to dependents of active duty service members.

Military retirees are not included in this provision. Retiree beneficiaries bear 25 percent of approved charges and therefore the patient cost is lower when the patient elects a lower-cost treatment.

Departmental Recommendation

This legislation was proposed by the Department of Defense in the following letter dated March 14, 1979 from the General Counsel of the Department of Defense to the President of the Senate:

General Counsel of the Department of Defense,
Washington, D.C., March 14, 1980.

Hon. Walter F. Mondale,
President of the Senate,
Washington, D.C.

Dear Mr. President: Forwarded herewith is draft legislation, "To amend chapter 55 of title 10, United States Code, to authorize the use of CHAMPUS inpatient cost-sharing rates for surgery performed on an outpatient basis".

This proposal is a part of the Department of Defense Legislative Program for the 96th Congress. The Office of Management and Budget advises there is no objection to the presentation of this proposal for the consideration of the Congress and that its enactment would be consistent with the Administration's objectivities. It is recommended that the proposal be enacted by the Congress.

Purpose of the Legislation

The purpose of the proposal is to amend chapter 55 of title 10, United States Code, in order that the Department of Defense may, through the Civilian Health and Medical Program for the Uniformed Services, share the cost of certain kinds of ambulatory surgery for dependents of active duty members at the inpatient rate rather than at the outpatient rate that is used under current law. The outpatient rate generally involves greater expense to dependents of active duty members for the ambulatory surgery than does the inpatient rate for the same surgery performed during hospitalization. The following table illustrates the difference in cost to the beneficiary and to the Government for two representative surgical procedures computed in accordance with the current provisions of law:

Procedure	Ambulatory surgery			Inpatient surgery		
	Cost of procedure	Patient cost	Government cost	Cost of procedure	Patient cost	Government cost
Dilation and curettage (D. & C.): Active duty dependents	$156	$71	$85	$515	$25	$490
Removal of breast tumor: Active duty dependents	170	74	96	475	25	450

Note: Calculations based on current cost-sharing formula: Outpatient—$50 deductible plus 20 percent of balance. Inpatient—$4.65 per day or $25, whichever is greater. Amounts have been rounded to the next dollar. Ambulatory surgery charges based on fees charged by a typical ambulatory facility in Arizona in the 4th quarter, calendar year 1977, compared to typical inpatient charges in same locality.

This cost structure creates a financial incentive for beneficiaries to select more expensive inpatient surgery rather than ambulatory surgery. This, in turn, results in increased costs to the Department of Defense with no corresponding benefit in medical treatment.

The following table provides a comparison of the cost-sharing advocated under the proposed legislation to the inpatient costs to the Government for the same procedures listed in the preceeding table:

	Proposed inpatient cost sharing for ambulatory surgery			Existing inpatient surgery costs		
	Cost of procedure	Patient cost	Government cost	Cost of procedure	Patient cost	Government cost
Dilation and curettage (D. & C.): Active duty dependents	$156	$25	$131	$515	$25	$490
Removal of breast tumor: Active duty dependents	170	25	145	475	25	450

Under the proposed legislation there would be no increase in the patient's cost for these procedures while the Government's savings would be $359 for dilation and curettage and $305 for removal of breast tumor.

The proposed legislation would authorize the Secretary of Defense and the Secretary of Health, Education and Welfare to issue joint regulations prescribing the kinds of ambulatory surgery to be subject to cost sharing at the inpatient rate, thereby removing the financial benefit bias toward inpatient surgery. We believe this grant of discretionary authority is necessary to distinguish minor surgical procedures which have traditionally been done in physicians' offices and outpatient clinics and which should continue to be subject to cost sharing at the outpatient rate from those surgical procedures traditionally performed, in accordance with good medical practice, in an inpatient setting but which are now increasingly being performed in ambulatory surgical facilities. The authority in the proposed legislation will also permit changes to be made in the Civilian Health and Medical Program for the Uniformed Services regulations to reflect future developments in this rapidly changing area of medicine.

COST AND BUDGET DATA

The enactment of this proposal would result in a savings to the Department of Defense. An accurate estimate of the amount cannot

be calculated due to the lack of information on the availability of this type of surgery.

The Department of Defense strongly recommends enactment.

Sincerely,

DEANNE C. SIEMER.

Enclosure.

A BILL To amend chapter 55 of title 10, United States Code, to authorize the use of CHAMPUS inpatient cost-sharing rates for surgery performed on an outpatient basis

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1079(b) of title 10, United States Code, relating to contracts for medical care for spouses and children of members of the uniformed services, is amended by adding at the end thereof the following new clause:

"(4) $25 for surgical care that is authorized by subsection (a) and received while in an outpatient status and that has been designated (under joint regulations to be prescribed by the Secretary of Defense and the Secretary of Health, Education and Welfare) as care to be treated as outpatient care for purposes of clauses (2) and (3).".

COMMITTEE ACTION

The Manpower and Personnel Subcommittee held a hearing on this legislation on September 26, 1980 and received testimony from Dr. John H. Moxley III, Assistant Secretary of Defense for Health Affairs, and Mr. Theodore D. Wood, Director, Office of CHAMPUS. The Committee on Armed Services on 1980, agreed to favorably report H.R. 3351 by unanimous vote.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE.
Washington, D.C., December 2, 1980.

Hon. JOHN STENNIS.
Chairman, Committee on Armed Services,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 3351, a Bill to amend Chapter 55 of Title 10, United States Code, to authorize dependents of members of the uniformed services serving on active duty to use CHAMPUS inpatient cost-sharing rates for certain surgery performed on an outpatient basis, as ordered reported by the Senate Armed Services Committee on December 2, 1980.

Should the Committee so desire, we would be pleased to provide further detail on the attached cost estimate.

Sincerely,

ALICE M. RIVLIN, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

DECEMBER 2, 1980.

1. Bill number: H.R. 3351.

2. Bill title: A bill to amend Chapter 55 of Title 10, United States Code, to authorize dependents of members of the uniformed services serving on active duty to use CHAMPUS inpatient cost-sharing rates for certain surgery performed on an outpatient basis.

3. Bill status: As ordered reported by the Senate Armed Services Committee on December 2, 1980.

4. Bill purpose: The purpose of the bill is to encourage the use of outpatient services for relatively minor surgical procedures. H.R. 3351 proposes to reduce the beneficiary cost for certain outpatient surgery from the current rate for outpatient surgery to the level charged for inpatient surgery ($25). Given an equal cost to the beneficiary for both inpatient and outpatient surgery, it is assumed that some beneficiaries will choose outpatient surgery.

5. Cost estimate: Estimated savings to the government resulting from H.R. 3351 are shown below.

CHAMPUS inpatient rates for ambulatory surgery

[In millions of dollars]

Estimated authorization:	
Fiscal year:	
1981	−0.2
1982	−0.3
1983	−0.4
1984	−0.5
1985	−0.6
Estimated outlays:	
Fiscal year:	
1981	−0.2
1982	−0.2
1983	−0.4
1984	−0.5
1985	−0.6

6. Basis of estimate: CBO used Department of Defense (CHAMPUS) estimates regarding the number and type of surgeries eligible to be performed on an outpatient basis, the utilization rate of outpatient services under the proposal, and the savings per surgical case.

7. Estimate comparison: None.

8. Previous CBO estimate: An estimate was completed for H.R. 3351, as ordered reported by the House Armed Services Committee, on June 18, 1980. This estimate reflects new economic assumptions.

9. Estimate prepared by: Alice L. Hughey.

10. Estimate approved by:

C. G. NUCKOLS

For James L. Blum, (Assistant Director for Budget Analysis).

REGULATORY IMPACT

Paragraph 5 of rule XXIX of the Standing Rules of the Senate requires that a report on the regulatory impact of a bill be included in the report on such bill. The committee finds that in the case of H.R. 3351 there is no regulatory impact.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law proposed to be made by the bill are shown as follows: Existing law to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman.

SECTION 1079 OF TITLE 10, UNITED STATES CODE

§ 1079. Contracts for medical care for spouses and children: plans

(a) To assure that medical care is available for spouses and children of members of the uniformed services who are on active duty for a period of more than thirty days, the Secretary of Defense, after consulting with the Secretary of Health, Education, and Welfare, shall contract, under the authority of this section, for medical care for those persons under such insurance, medical service, or health plans as he considers appropriate. The type of health care authorized under this section shall be the same as those provided under section 1076 of this title, except that:

(1) with respect to dental care, only that care required as a necessary adjunct to medical or surgical treatment may be provided;

(2) routine physical examinations and immunizations may only be provided when required in the case of dependents who are traveling outside the United States as a result of a member's duty assignment and such travel is being performed under orders issued by a uniformed service;

(3) routine care of the newborn, well-baby care, and eye examinations may not be provided;

(4) under joint regulations to be prescribed by the Secretary of Defense and the Secretary of Health, Education, and Welfare, the services of Christian Science practitioners and nurses and services obtained in Christian Science sanatoriums may be provided;

(5) durable equipment, such as wheelchairs, iron lungs and hospital beds may be provided on a rental basis.

(b) Plans covered by subsection (a) shall include provisions for payment by the patient of the following amounts:

(1) $25 for each admission to a hospital, or the amount the patient would have been charge under section 1078(a) of this title had the care being paid for been obtained in a hospital of the uniformed services, whichever amount is the greater.

(2) Except as provided in clause (3), the first $50 each fiscal year of the charges for all types of care authorized by subsection (a) and received while in an outpatient status and 20 per centum of all subsequent charges for such care during a fiscal year.

(3) A family group of two or more persons covered by this section shall not be required to pay collectively more than the first $100 each fiscal year of the charges for all types of care authorized by subsection (a) and received while in an outpatient status and 20 percentum of the additional charges for such care during a fiscal year.

(4) $25 for surgical care that is authorized by subsection (a) and received while in an outpatient status and that has been designated (under joint regulations to be prescribed by the Secretary of Defense and the Secretary of Health, Education, and Welfare) as care to be treated as inpatient care for purpose of this subsection. Any care for which payment is made under this clause shall not be considered to be care received while in an outpatient status for purposes of clauses (2) and (3).